

## **CONGRESSIONAL ANALYTIC CAPACITY, PARTY POLARIZATION, AND THE POLITICAL ECONOMY OF REVOLVING DOOR LOBBYING**

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### **Abstract**

We argue that the market for lobbying services is a function of two key features of modern American politics: (1) the decline in Congress's analytic capacity and (2) the concentration of agenda setting powers to party leaders that has come with increased polarization in government. These trends have made the legislative process much more uncertain to external stakeholders. As a result, revolving door lobbyists' strategic political process knowledge has increased their value relative to substantive, policy-oriented lobbyists. In a departure from previous work, our model does not rely on the assumption that revolving door lobbyists sell "access" to specific policymakers. Rather, revolving door lobbyists offer organized interests a form of political insurance against the perceived risk of chaotic, unpredictable government action (or inaction). We draw on our original data set of the career histories of more than 630 contract lobbyists. We find that revolving door lobbyists generate at least twice the revenue per year than those without government experience, especially with more senior positions Capitol Hill. These findings have important consequences for political reform: efforts to minimize the influence of lobbyists and special interests need to first look at how Congress itself has created a system that rewards those who spin through the revolving door.

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Popular wisdom suggests that Washington lobbyists generate influence for the highest bidder. The evidence, however, suggests that this view – one of influence production, corruption, and quid pro quo deal-making – is far from the political reality. Despite media coverage of the occasional bad apples such as notorious Jack Abramoff, the typical lobbyist is a political professional with useful policy expertise and procedural knowledge. One lobbyist might know the ins and outs of a highly technical policy issue while another is keenly versed in how Washington works (or doesn't work) under various circumstances. More often than not, lobbyists provide information to their already supportive allies in Congress and seek to keep the status quo just the way it is.

If the presence of lobbyists in the policy process is so benign, then, why do organizations spend over \$3 billion annually to employ them in the nation's capital?<sup>1</sup> In this book, we argue that interest groups do not buy policy influence or outcomes through lobbying. Rather, organized interests pay lobbyists – often handsomely – to reduce the risk that government will take some action without taking into account how it will impact them. We argue that special interests simply purchase lobbyists' various services as *political insurance* against what they perceive to be opaque, dysfunctional, and unpredictable government action. As one political law compliance lawyer we interviewed put it:

More and more, all people know is that Congress on any given day – or the administration on any given day – can decide to have a sort of policy drive-by shooting of your company or industry. You want to prevent that. I think a lot of people in the general public have an impression that lobbyists *actually get things done*. I would say 90 percent of what lobbyists do here is prevent harm to their client from the government. These clients often times are in a fetal position. They just want the government to not hurt them.

Interest groups are not in the business of buying policy outcomes; they are in the market to cover their backsides.

We argue that the interest group system operates as a market for lobbyists' services, even when lobbyists do not "actually get things done." The hiring of lobbyists as political insurance to stave off or respond to these threats takes multiple forms. For example, lobbyists may help interest groups continuously monitor the government so they know if such events may happen long before they reach headlines. And the right lobbyists can provide policymakers with information to minimize the impact when they do. Interest groups buy long-term political coverage from their lobbyists, even though they supply very little tangible benefits in the short run.

Of course, not all organized interests are equal. A select few have the resources to buy the most and the best coverage, even though they gain little immediate benefit. Over the long run, policies are more likely to reflect the preferences of these resource-rich groups because they can afford the best political insurance. The result may appear as if the wealthy and well-organized are buying policies that suit them (Gilens and Page 2014), despite the

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<sup>1</sup> Center For Responsive Politics (CRP) lobbying database: <https://www.opensecrets.org/lobby/>.

fact that there is no connection between lobbying expenditures and policy outcomes (Baumgartner et al 2009). If our idea that lobbying is the consumption of political insurance rather than the investment of political capital, then we need to know more about what exactly is being consumed.

We think the key lies in individual lobbyists' characteristics. While academic scholarship on lobbying tends to treat lobbyists as interchangeable agents – mere widgets in the interest group machine – we maintain that different kinds of lobbyists provide different kinds of political insurance coverage. We suppose some lobbyists are better at supplying the right policy expertise at the right time, whereas others are superior for providing insider political knowledge despite the policy substance. Different political problems demand different forms of political insurance coverage. In this project, we adopt the position that lobbyists are not merely replaceable parts in the vast, complex system of organized interests. They are agents with varying qualities who are strategically deployed on behalf of organized interests to resolve different problems.

### **The Rise of Revolving Door Lobbying**

Curiously, what lobbyists' qualities are, how much they vary, and how they are strategically deployed remains a mystery. This is true despite media attention given to the rise of Washington's so-called revolving door. We identified three key studies that trace the increasing likelihood that key government personnel become lobbyists, all of which motivate and justify our theoretical model and empirical strategy.<sup>2</sup>

In the first study, Parker relies on a survey of 229 former members of Congress, which he also augments in-person interviews and other data sources (Parker 2008). He finds that zero members in his sample who departed Congress before 1970 became lobbyists, whereas 53 percent of those who departed after 2000 did become lobbyists. The percentage of former members-turned-lobbyists in his sample rose steadily in the intervening decades.

The second study empirically examines how frequently members of Congress become lobbyists after serving in elective office. Lazarus, McKay, and Herbel (2016) report on an original data set of the full universe of 1,300 members of Congress who left office for any reason between the 1976 and 2012. Between the post-Watergate reform era in the 1970s and the Abramoff scandal in 2006, the number of lawmakers-turned-lobbyists increased 433 percent.

But what about *unelected* officials? The third of the three studies we identified to observe changes in the revolving door over time is one reported in a series of blog posts by Lee Drutman and Alexander Furnas (2014) called "Revellers' Dollars." We replicate their results derived from an automated text analysis of lobbying disclosure reports for the more

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<sup>2</sup> We are indebted to Jeff Lazarus, Amy McKay, Lindsey Herbel, Lee Drutman, Alexander Furnas, and Kevin Kosar for sharing their data for replication in this paper.

than 35,000 lobbyists registered between 1998 and 2008.<sup>3</sup> The number of former members of Congress-turned-lobbyists remains stable at roughly 1 percent of the lobbyist population (see also LaPira and Thomas 2014). The number of covered officials-turned-lobbyists, however, skyrockets. Covered official lobbyists go from a low of 976 (9 percent) in 1998 to 3,598 (25 percent) in 2008, almost a 270 percent increase in just over a decade.

### **Why Revolving Door Lobbying Has Grown**

This evidence shows that Washington's revolving door is expanding over time. But, what these data do not explain is *why*. With our metaphor of lobbying is political insurance, we argue that interest groups are responding to risks associated with two critical, long-term trends in American politics: (1) the decline in the analytic capacity of Congress and (2) the rise of strong political parties in government. These conditions have created an increased sense of unpredictability given the increasingly unorthodox and chaotic policy process in Washington. Accordingly, interest organizations have sought to reduce that unpredictability – the likelihood of an unforeseen policy drive-by – by purchasing the kind of lobbying-as-political insurance offered by those with significant insider experience in government. We argue that while all lobbyists offer services to reduce some political or policy risk, these two trends in American politics have made those lobbyists with insider knowledge of the process more valuable over time.

***The Decline in Congressional Analytic Capacity.*** In *The Politics of Information*, Frank Baumgartner and Bryan Jones (2015) empirically demonstrate how the legislative branch's analytic capacity peaked in the late 1970s – the end of the "Great New-Issue Expansion" – and has steadily declined since. We simply recognize that the timing of peak government capacity and its subsequent decline coincides almost perfectly with the rise of the revolving door.

[INSERT FIGURE 1 HERE]

In Figure 1, we extend these findings to illustrate how both the House and the Senate have steadily reduced the proportion of staff in key legislative-work positions in Washington. Panel A shows the percentage of all congressional staff located in Washington offices, as opposed to district- and state-based constituent service offices. These data have been marshaled before to make the case for the increasingly "permanent campaign" in both the House and the Senate, but here we show the concomitant effect in Washington. Between 1977 and 2008, the House experienced a 28 percent drop and the Senate experienced a 22 percent decline in DC-based staffing levels.<sup>4</sup>

Not only did legislative work shift from Washington back to home districts and states, the proportion of committee staff in Congress shows a similar decline. Congressional

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<sup>3</sup> The Drutman and Furnas (2014) blog series is archived at <http://sunlightfoundation.com/blog/series/revolvers-dollars/>. Last accessed March 18, 2016.

<sup>4</sup> The original source is missing data for Senate staff in 1977, so the time span is 1978 to 2008 (Ornstein et al 2014).

committees are primarily where members specialize, gain policy expertise, and focus their legislative efforts (Hall 1996). They are also the entities in Congress that employ staff with more substantive expertise (Hammond and Fox 1977, Malbin 1980, Salisbury and Shepsle 1981). In Panel B of Figure 1, we see roughly similar declines in the proportion of committee staff as we do with Washington-based staff overall.<sup>5</sup>

[INSERT FIGURE 2 HERE]

Congress did not limit itself to reductions to their political appointee staff in Washington. Members also reduced civil servant employment at non-partisan, bicameral legislative support agencies (LSAs). Figure 2, Panel A plots the number of employees<sup>6</sup> at the Congressional Research Service (CRS), the Library of Congress (LOC),<sup>7</sup> the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and the Office of Technology Assessment (OTA). During the same time period, the number of LSA employees declined 42 percent from a high of 10,871 in 1978 to a low of 6,382 in 2006, the last year in the time series that Republicans held majorities in both the House and the Senate.

There is a similar dramatic drop between fiscal years 1995 and 1996 as there was in the proportion of standing committee staffers, for the same reason. The one-year percentage changes were -2.3 percent at CRS, -4.1 percent at LOC, -19.6 percent at GAO, and -100 percent at the newly defunct OTA. The lone exception to these trends was CBO, which increased its staffing by 8.4 percent.

Not only do the raw counts of expert staff decline, the ratio of professional civil servants in LSAs to political appointees in both chambers goes down dramatically, as shown in Panel B of Figure 2. The total number of congressional staffers remains relatively constant over time; members simply chose to strategically reallocate their staff resources back home (Fenno 1978). This ratio peaks in 1978 at 1.06, or 10,871 LSA civil servants to 10,212 staffers, and drops to its low in 2006 at 0.58, or 6,382 civil servants to 10,738 political appointee staffers.

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<sup>5</sup> The decline in the House and Senate is clear, but follows a notably different pattern in the House. The dramatic decline in 1995 is due to the efforts of newly elected Speaker Gingrich (R-GA) after the GOP's 1994 takeover. The Republican Party gained control of both chambers for the first time since 1954. Following through on the Contract with America campaign promise, Gingrich eliminated roughly one-third of the House standing committees and cut full-time lines from the remainder. The result was a 37 percent decline in committee staff. Congressional staff peaked in both chambers under the Democrats and dropped to all-time lows in 1995. The committee staff percentage difference between the Democratic peaks and Republican troughs differ by a 50 percent change in the House between 1991 and 1995, and 51 percent in the Senate between 1979 and 1995. The deliberate effort of the Republican Party to reduce Congress's analytic capacity is certainly a major contributing factor to these trends. Though, we note the decline is institution-wide, and the trend started during the Democrat's dominance of Congress.

<sup>6</sup> We calculate trends based on raw employee counts because LSA employees are only ever deployed in Washington, DC.

<sup>7</sup> The CRS is a unit within the Library of Congress (LOC), so these counts refer to non-CRS LOC employees to avoid double-counting.

Overall, this evidence suggests two strategic priorities of Congress since the late 1970s to prioritize its members' reelection motivation (Mayhew 1974, Fenno 1978). Congress first reallocates official legislative resources from Washington to home, and second moves resources away from civil service professionals to political appointees in Washington. Congress myopically outsourced its capacity to search for, organize, and analyze policy information to lobbyists. Congress relies heavily on information and expertise from interest groups (Esterling 2004, 2007; Hall and Deardorff 2006), so it must rely more on that expertise today than in the days of subcommittee government. So, the steady decline in the government's analytic capacity can be directly associated with changes in the market for lobbyists' services.

***The Concentration of Power in Congressional Party Leadership.*** The decline in the federal government's analytic capacity is not the only trend in American politics that has impacted the market for lobbying services. Indeed, judging by the attention political scientists, journalists, and pundits have given to Congressional gridlock and party polarization during this same time, government capacity is hardly the most important trend.

There is little dispute over the fact that elected officials have become more ideologically homogenous within their parties, and that both parties have moved further apart from each other (Poole and Rosenthal 1997, 2007). The emergence of polarization can be traced primarily to the defection of southern conservatives from the mid-20<sup>th</sup> Century Democratic coalition to the Republican Party in the late 1970s and 1980s (Rhode 1991, Aldrich 1995, Schickler 2001, Theriault 2008, Noel 2013). Increased partisanship has been accompanied by increased electoral competition between the parties, especially in their need for campaign finance support (Jacobson 2013). The result has been an era of increasingly common legislative gridlock (Binder 2003), strategic "partisan warfare" (Lee 2009, 2016; Theriault 2013), and party-led procedural maneuvering (Smith 1989; Binder and Smith 1996, Sinclair 1995, 2012 [1997]; Koger 2010).

Moreover, party organizations have tended to become dominated by minorities within legislative parties who follow the party line. The legislative parties of today may appear to be more inclusive, but are more fragmented and balkanized than those of prior decades where multiple factions were granted more access to key decisions (Meinke 2016). The result is a congressional policy process where party leaders control legislative information, and most lawmakers are simply left in the dark (Curry 2015). Consequently, party leaders in both chambers in Congress have redirected their internal staffing resources to support their increasingly centralized role. In contrast to Congress's decline in *policy* experts in committees and legislative support agencies, the parties have steadily added *political* staff to party leadership offices (Chausow et al. 2015a and 2015b).

[INSERT FIGURE 3 HERE]

In Figure 3, we plot the number of leadership staff between 1977 and 2008. In the House of Representatives, leadership staff numbers rise from a low of 58 in 1981 to a high of 214 in 2008, an increase of nearly 270 percent. The Senate's increase in leadership staff is even

more stark; the number of Senate party leadership staff increased fourfold between its low of 44 in 1977 to a peak of 220 in 2006. We argue these increases result from party leaders' increasingly hands-on role in the development of legislation, a task previously delegated to committees and individual legislative entrepreneurs. Party leaders have not only tightened their grip on the legislative process – as evidenced by their increased procedural control – but have also expanded their role in writing policy.

The cumulative effect of increasingly strong and ideologically unified parties inside government – and the concomitant increase in party leadership staff to support this centralized legislative process – has consequences for the lobbyist market. For organized interests seeking to monitor legislation or contribute information about policy substance, then, they demand lobbyists who understand how party leaders go about shaping legislation behind the scenes. Unlike the relatively open committee process where members stake out positions on amendments, the law writing process in party leadership offices is closed and opaque. The opportunity structures for lobbyists to influence or monitor policy have fundamentally changed. It is far less important that a lobbyist have some professional contacts with key lawmakers or committee members than they do a working knowledge of how bills are crafted in the dark (Curry 2015).

Taken together, these two conditions – the decline in Congress's information search and oversight capacity and the concentration of power in congressional party leadership – have increased the demand for revolving door lobbyists. It is no coincidence that the demand for lobbyists with previous government experience has skyrocketed while Congress has intentionally reduced its internal expertise and reduced the number of gatekeepers to the policy process.

### **The Model: Lobbying as a Market for Political Insurance**

Lobbyists offer organized interests a form of political insurance against the risk that government action, or government inaction, will harm their interests. The Washington lobbying system, then, can be thought of as a political economy of risk reduction. Lobbyists differentiate themselves in order to serve organizations with particular risk-reduction needs. Relational lobbyists, we argue provide their employers or clients with strategic process knowledge that reduces the risks associated with uncertainty in policymaking. On the other hand, informational lobbyists offer substantive policy expertise that organizations purchase to make sense of the ambiguous nature of technocratic decision-making in Washington.

We build on these insights to initially model a baseline market for lobbyists under the conditions of the well-documented interest group explosion over time (Schlozman and Tierney 1983; Walker 1983; Salisbury 1984; Berry 1984; Schlozman, Verba, and Brady 2012). We next factor in the observation that the advocacy explosion is not the only force in American politics that has influenced the size and shape of the lobbyist population. We modify our baseline market model to consider how these trends shape the relative costs associated with hiring political process strategists and policy wonks in the market for lobbying services.

**Process Uncertainty and Policy Ambiguity.** The inherent uncertainties of the political process and the complexities of policy instruments expose interest organizations to political risks – risks that warrant political insurance. When policy conflicts emerge and the government chooses to direct its attention to one problem over another, interest organizations may be vulnerable to some unwelcome regulation or miss out on some opportunity to change policy in their favor. Lobbyists are useful to interest groups if they reduce the *uncertainty* about the political process and if they reduce the *ambiguity* among policy makers about how policy alternatives, including the status quo, affect their interests.

Lobbyists differentiate themselves within the interest group system to primarily address one of these two fundamental problems. Revolving door lobbyists' insider process knowledge is better suited to minimize the risk of political uncertainty, whereas other lobbyists' subject-matter expertise is better suited to reduce policy substance ambiguity. All lobbyists, of course, have some combination of relationship-building and information-supplying capabilities. Still, organized interests need different lobbyists to achieve different goals, so lobbyists have an incentive to differentiate themselves and the services they offer. Given that interest groups will use lobbyists that differentiate themselves to reduce the risk of either process uncertainty or policy ambiguity, we identify the two primary, though not necessarily mutually exclusive, assets that lobbyists provide: strategic lobbying and informational or substantive policy lobbying. Lobbyists are either strategic, political process experts (strategic) or domain-specific technocrats (informational). The key is that informational lobbyists primarily have knowledge about policies *that do not transfer to other domains* or policy networks easily. Political strategy does.

We note here a distinction between political process expertise and political economists' explicit assumptions about lobbyists' interpersonal *connections* to sitting members of Congress (Blanes i Vidal et al 2013; Bertrand et al 2014). The kind of access presumed by who-you-know theories of lobbying influence is neither necessary nor sufficient to understand the impact of the revolving door (Salisbury et al. 1989). The insider knowledge of the policy process and political strategy is both necessary and, we believe, sufficient. Our theory does not depend on actual professional links to specific officeholders or particular offices. That is, a lobbyist does not have to have worked for a bill sponsor or a committee chair themselves to establish their strategic, political process *bona fides* to the organized interest seeking their services.

**Interest Groups as Lobbying Enterprises, not Policy Producers.** The transaction cost economics (TCE) perspective departs from the implicit assumption that interest groups are "influence production functions" that pressure, cajole, persuade, or outright buy political outcomes from government actors (Tullock 1967, Kreuger 1974, Becker 1983). In his study of the career choices among former members of Congress, Glenn Parker (2008) explicitly assumes politicians' skills to be human capital (Becker 1993 [1974]), and interest organizations to be firms that produce political influence. Instead, we conceive interest organizations as transaction cost lobbying enterprises that are:

1. Purchasing politically specific human assets (strategy and information); for,

2. Solving fundamental problems (political uncertainty and policy ambiguity); by,
3. Optimizing agency costs (process knowledge and substantive expertise); and,
4. Minimizing asset transaction costs (wages, retainer contracts, and expenses).

The view of organized interests as transaction cost functions instead of influence production functions is consistent with recent empirical findings. For example, we know more lobbying expenditures and campaign contributions do not buy policy outcomes on an issue-by-issue basis (Ansolabehere et al 2003, Baumgartner et al 2009). Much like insurance, lobbying is not an investment; it is consumption. You buy it whether you use it or not. Lobbyists are retained whether they “actually get things done” or not.

***Salisbury's Interest Group Paradox and the Lobbying Enterprise.*** We model the market for relational and informational lobbyists under the assumption that the interest group explosion that began in the mid-20<sup>th</sup> Century affected the market for all lobbying services equally. We explicitly recognize that this assumption ignores changes in political conditions over time, but start here to serve as a baseline for our analysis.

[INSERT FIGURE 4 HERE]

In Figure 4, Panel A illustrates a hypothetical market of two interest groups and two lobbyists, where the interest groups' budget constraints ( $BC$ ) for purchasing services from two lobbyists,  $K$  and  $L$ . The amount of *Process* ( $P$ ) knowledge these lobbyists offer is plotted on the  $y$ -axis, and policy-related *Substance* ( $S$ ) on the  $x$ -axis. Both interest groups' indifference curves ( $I$ ) are plotted along  $BC$ .

Suppose the first interest group in the lobbyist market has a greater need for solving a political uncertainty problem. This interest group prefers a relational lobbyist like  $K$ , which can be found at the tangent of its indifference curve,  $I_p$ , to  $BC$ . The relational lobbyist  $K$  offers more strategic process knowledge,  $P_k$ , than the other lobbyist,  $P_l$ . The converse is true for the other hypothetical interest group, who offers technical knowledge to reduce the risks associated with policy ambiguity. This group's indifference curve  $I_s$ , then, matches the lobbyist  $L$ . The figure formally illustrates that two lobbying enterprises with different political objectives will hire different lobbyists, even though they impose similar total costs.

Next, we add to this simple lobbyist market a hypothetical shift driven by the so-called advocacy explosion. That is, over time, the number of interest groups and the number of lobbyists has steadily grown. We assume this shift is exogenous to the lobbyist market, driven primarily by interests newly mobilized by external events and the expansion of the government's jurisdiction and agenda (Truman 1951; Olson 1965; Schlozman and Tierney 1983; Gray and Lowery 1996; Leech et al 2005). The result is what Robert Salisbury coined the “interest group paradox:” as more organized interests enter the market, each individual group's “clout” becomes diluted (Salisbury 1990).

To compensate, each group in our hypothetical market expands its budget constraint to  $BC'$  to purchase more of the relevant benefits from lobbyists. Given identical indifference curves along this new budget constraint, the process uncertainty-oriented interest group

hires lobbyist  $K'$ , whose specific assets offer more process knowledge,  $P_k'$ . Similarly, the interest group seeking an informational lobbyist contracts with the lobbyist with more substantive expertise,  $S_i'$ . Note, these assumptions hold true *even if lobbyists do not actually produce any influence or policy outcomes whatsoever*, as the human capital approach would assume. They simply offer different combinations of *potential* insider knowledge and *potential* expertise benefits at the time the contract is initiated, just as we do not purchase insurance after a hurricane.

Consequently, the hypothetical shift caused by the advocacy explosion can plainly be seen in the demand curve in Panel B. When we trace the shifts in the budget constraints in Panel A down to the demand curve in Panel B, we see the population ( $\Pi$ ) of both relational lobbyists  $K$  and informational lobbyists  $L$  goes up to meet the demand,  $\Pi_k < \Pi_k'$  and  $\Pi_l < \Pi_l'$ . Of course, the value of each type of lobbyist likewise goes down,  $V_k > V_k'$  and  $V_l > V_l'$ . In an increasingly crowded market for lobbying services, competition drives the price of both the access- and the expert-oriented lobbyist down equally,  $|V_k - V_k'| = |V_l - V_l'|$ . In other words: Salisbury's paradox.

The logic of this result is irrefutable, assuming the advocacy explosion shifted interest groups' budget constraints as shown here. But, we argue that the advocacy explosion shift did *not* actually occur in Washington in recent decades as has long been assumed. Our baseline model is purposely naïve to actual political events that shaped the interest group environment in the four decades following Watergate. The interest group system not only grew, it fundamentally shifted to address a very different kind of government.

[INSERT FIGURE 5 HERE]

In Figure 5, we show how the increased government need for information increases the number of expert-oriented lobbyists. Just as in the baseline model, we locate the two hypothetical interest groups' indifference curves for their preferred lobbyist,  $K$  and  $L$ , on  $BC$ . But, unlike shifting the budget constraint on both dimensions as we did with the advocacy explosion, we instead shift it only along the *Substance* dimension on the  $x$ -axis. The newly defined budget constraint,  $BC'$ , results in a disproportionately more competitive market for expertise-oriented lobbyists. The information-seeking lobbying enterprise moves its indifference curve,  $I_s \rightarrow I_s'$ , much further than the enterprise seeking strategic process knowledge,  $I_p \rightarrow I_p'$ .

When we trace these shifts down to the demand curve in Panel B, we see the resulting change in the value of substance-oriented lobbyists go down,  $V_l > V_l'$ . Note that the marginal value of the process-oriented lobbyist also goes down as well,  $V_k > V_k'$ , but only at a fraction of substantive lobbyists' drop in price, such that  $|V_k - V_k'| < |V_l - V_l'|$ . In a market where the government must rely more on the analysis and expertise from interest groups to inform the policy process, policy wonk lobbyists become a dime a dozen. By comparison, political strategist mostly retain their value.

[INSERT FIGURE 6 HERE]

Next, in Panel A of Figure 6 we build on the previous model to show the decline of process-oriented lobbying opportunities associated with strong, centralized parties. We shift the budget constraint down the *Process* dimension on the y-axis, from  $BC'$  to  $BC''$ . We likewise shift the same two hypothetical interest group indifference curves for their preferred lobbyists. The information-oriented lobbying enterprise shifts from  $I_s' \rightarrow I_s''$  and the enterprise seeking process knowledge,  $I_p' \rightarrow I_p''$ .

When we trace these shifts down to the demand function in Panel B, we see the marginal value of both relational and informational lobbyists increase. In this case, however, the marginal price increase for relational lobbyists is larger than that for informational lobbyists,  $|V_k' - V_k''| > |V_l' - V_l''|$ . It is the opposite pattern observed when the government's demand for information increased the subpopulation of informational lobbyists. As the number of meaningful access points in government declines under strong parties, political strategists' stocks increase considerably more than that of the increasingly common substantive lobbyist.

***The Divergence of Process and Substance Lobbying.*** By elaborating a model based on the transaction cost logic interest organizations use to influence the policy process, we show that systematic changes in government's analytic capacity and the rise of centralized, strong parties are more nuanced than the advocacy explosion alone would lead us to expect. The lobbying services market is not so much more *assertive* as it is *differentiated* into a select few process-oriented lobbyists and a large number of substance-oriented ones.

[INSERT FIGURE 7 HERE]

To emphasize the results of our transaction cost market exercise, Figure 7 shows the divergence between process-oriented and substance-oriented lobbyists. We plot the original positions of the lobbyist population first shown in Figure 4 (Panel B),  $\Pi_k$  and  $\Pi_l$ . We also plot the subsequent positions of these populations after shifting the budget constraints on both the *Process* and *Substance* dimensions,  $\Pi_k''$  and  $\Pi_l''$  in both Figures 5 and 6. If our two premises are true, then the resulting lobbyists' values are  $V_k < V_k''$  and  $V_l > V_l''$ . Not only do their fortunes diverge, the change in the value for strategic process lobbying is greater than that for informational lobbying,  $|V_k - V_k''| > |V_l - V_l''|$ .

The central implication from our model is that lobbyists who specialize in strategically targeting key decision makers are more valuable today than in the 1970s. No wonder there are four times as many exiting members of Congress becoming lobbyists today than four decades ago. Conversely, the value of lobbying services from those whose primary asset is substantive expertise has gone down, since the government has chosen to effectively contract out its analytic capacity to the private sector. Unlike any theory we are aware of, our transaction cost model demonstrates why former government employees demand higher prices for their services, without relying on the assumption that "actually get things done" at all.

We also derive a straightforward expectation from our formal model about the association between lobbyists' professional socialization and their value in the market for lobbying services. Lobbyists with government experience will earn more revenue than those with none because the value of political process knowledge has increased relative to the value of substantive policy expertise.

## Methods and Data

To test this expectation we first created an original data set on lobbyists' professional backgrounds and characteristics by drawing a random sample from the Lobbying database curated by CRP. We began by constructing a list of the 14,642 registered lobbyists in 2008 as our sampling frame. We randomized the list, and began collecting and coding data in random sequence between September 2011 and April 2012. The resulting sample includes 1,611 lobbyists.

Once the sample was drawn, three trained research assistants conducted comprehensive searches for each lobbyist's professional biography. One of the authors directly monitored research assistants as they entered data to respond to questions and adjudicate difficult coding choices. The coding scheme identified lobbyists' (1) demographic information, (2) previous employing offices in Congress, the White House, and federal bureaucracies, (3) their employment status as of the fourth quarter of 2008, and (4) their advocacy specializations.

For each lobbyist, coders sequentially searched each source for names and name variants, as well as common search engines and free-access content sites like *Wikipedia*. The most fruitful searches relied on a variety of sources; specific job details such as employment at a congressional committee that one source lacked another often included, and vice versa. Though the availability of information for some lobbyists was scarce, we are confident that these search and coding procedures produced as thorough and accurate an account of the lobbyist population as feasible. Our methods are limited by the availability and accuracy of personal and professional information in the public domain. While our process exhaustively located professional biographical data on our sample of lobbyists, we recognize that we may still underestimate the revolving door. In sum, our process significantly improves on available data accessible from lobbying disclosure reports alone.

We next link our data set of lobbyists' professional biographies with lobbying revenue data reported in all four quarters of 2008. As the Lobbying Disclosure Act (LDA) requires, lobbying firms report revenue at the level of their clients on a quarterly basis. That is, if a lobbying firm represents a client in any one quarter, the firm publicly reports the total quarterly revenue earned from the contract with their client. For this analysis, we keep only the 637 contract lobbyists; the remaining 937 of the sample are in-house lobbyists that do not have data for our dependent variable for individual level lobbying *revenue*.<sup>8</sup>

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<sup>8</sup> We note here how the peculiarities of the lobbying disclosure system force us to drop in-house lobbyists from our analysis of revenue. Though they are the majority of lobbyists, the LDA reporting system makes calculating comparable individual expenditures for in-house lobbyists impossible. There are two ways to

We replicate the methods first developed by Blanes i Vidal to estimate lobbyists' revenues (2012; see also Drutman and Furnas 2014). We calculate *revenue* by dividing the total amounts reported for each quarterly contract between firm and client, then divide by the total number of lobbyists listed for that contract, and sum across contracts. The resulting variable exhibits a great deal of variation, which we hypothesize can be associated with our various measures of previous government employment.

On average, individual lobbyists in our sample generated about \$270,000 in revenue,  $\mu = \$268,111$  ( $SD = \$309,082$ ); the median lobbyist earned \$143,333. Among them, 41 lobbyists report contracts that earned less than \$5,000 in client-specific revenue, so are counted as zero. Twenty percent of lobbyists in our sample generated over \$470,000. Fifteen (2.4 percent) lobbyists earned more than \$1 million in revenue, with one notable lobbyist bringing in \$800,000 more than the next highest earner, totaling nearly \$2.5 million. Every single one of the lobbyists in the elite million-dollar revenue club spun through the revolving door. None of them are former members of Congress.

### **The Revolving Door Pays, Regardless of Who You Know**

We use these data to assess our expectation that government experience will be tied to increasing lobbyist revenues since revolving door lobbyists offer valuable political process knowledge – a specific professional asset that has become more marketable over time.

[INSERT FIGURE 8 HERE]

Figure 8 illustrates the distribution of lobbyists' revenue for all contract lobbyists in our sample. We plot two lines, one for conventional lobbyists<sup>9</sup> (solid) and one for revolving door lobbyists (dashed). The difference between revolving door and conventional lobbyists' revenue is striking. Revolving door lobbyists ( $\mu = \$330,692$  ;  $SD = \$336,070$ ) earn at least twice that of conventional lobbyists ( $\mu = \$149,617$  ;  $SD = \$209,065$ ). The density of conventional lobbyists' revenue has a distinctively sharp and narrow peak around \$75,000, with a right tail that tops out near \$1,000,000. In other words, revenue generated by conventional lobbyists is relatively low and has a relatively small dispersion. By comparison, the distribution of revolving door lobbyists' revenue peaks at roughly

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report quarterly lobbying activity at the interest group level: either an organization self-reports its total expenditures, or a for-hire lobbying firm reports its income from a contract with the organization as a client. All expenditures and income are reported as a single aggregate amount. So, self-reported expenditures includes all compensation for employees engaged in lobbying activities, all money spent on consulting services with lobbying firms under contract, and overhead expenses like rent, equipment, travel, etc. If we were to calculate expenditures per lobbyist as we do revenue, the data would be extremely noisy, and would necessarily double-count expenses paid to contract lobbying firms. Doing so would make any analysis at the individual lobbyist level nonsense. Since we have no comparable dependent variable for in-house lobbyists, we drop them from the analysis in this chapter. We suspect the lobbyist job market generally follows similar patterns for in-house lobbyist compensation that we uncover for contract lobbyist revenue, but cannot empirically test the hypothesis with disclosure data.

<sup>9</sup> For lack of better options, we use the term "conventional" to differentiate from revolving door lobbyists, whose increased presence in the population is a relatively new phenomenon.

\$100,000, and shows a long right tail that extends through the maximum value of \$2.5 million.

[INSERT TABLE 1 HERE]

These results leave little doubt that revolving door lobbyists earn more than conventional lobbyists. Yet, the fatter-and-flatter distribution of revolving door lobbyists' revenue suggest comparing means alone may not reveal genuine differences between the two. In Table 1, we also report median revenues, which may more meaningfully reflect the central tendencies for highly skewed distributions. Half of the revolving door subpopulation earns about \$225,000 per year or more, whereas the median conventional lobbyist earns only \$68,000. Bottom line: conventional lobbyists earn 30 cents for every dollar revolving door lobbyists do.

Our results plainly show that lobbyists with any government experience earn more than their conventional counterparts. Yet the empirical advantage of our professional biography data is that we can calculate the value that specific jobs in government have in the lobbying services market. It would be naïve to expect that all experience in government provides the same professional socialization and subsequent market value. Working in the White House versus in the Senate as a committee staffer, for example, provides different types of marketable experiences that we expect will condition the amount of revenue generated through subsequent lobbying contracts.

Our data collection process did not produce reliable measures for things like job title or seniority within Congress, but the data generally conform to our expectations based on the ordinal position of staff jobs from members' personal offices, committees, and party leadership offices in a variable we call *congressional staff hierarchy*.<sup>10</sup> But, this description of the lobbyist labor market is consistent with our model. Our data let us put these claims to the test.

[INSERT TABLE 2 HERE]

Table 2 reports revenue associated with specific jobs on Capitol Hill, the most common type of previous government employment among lobbyists. Of the 405 revolving door contract lobbyists in our sample, 303 (48 percent of all contract lobbyists; 75 percent of the revolving door subsample) previously worked as staff or served in office as a member of Congress. The 334 lobbyists who did not work in Congress include 232 conventional lobbyists and 102 revolving door lobbyists who worked exclusively in the executive branch.

The typical former congressional staffer earned  $\mu = \$376,203$  ( $SD = \$345,310$ ) in revenue, with a median value of \$307,500. That is, former congressional staffers earned \$4.40 for every \$1 earned by a lobbyist with no Capitol Hill experience. The differences are even more pronounced as we disaggregate these jobs by congressional staff hierarchy. For

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<sup>10</sup> The scale includes jobs in members' personal offices, committees, and leadership offices, as well as all possible combinations. It is distributed normally, though is slightly skewed.

example, a lobbyist who worked in a member's personal office earns only 86 cents for every \$1 earned by a lobbyist who worked in a party leadership position.<sup>11</sup>

### **Predicting Revolving Door Lobbyists' Revenue**

Our descriptive statistical analysis has demonstrated that revolving door lobbyists earn more money than those who never worked in government, and that having held more prestigious positions allows lobbyists to generate more money from clients. These results are consistent with our transaction cost model prediction that process-oriented lobbyists will demand higher prices for their services. Here we estimate more precisely how much lobbyists' professional backgrounds affect the value of their services to interest groups.

Our first test associates the number of government jobs that lobbyists previously held with revenue. Since we were not able to collect reliable data on job titles or related information, we use the number of previous government jobs as a proxy measure for prestige and seniority. We also predict that lobbyists' work structure will impact their revenue since the sample is restricted to contract lobbyists only. Simply, major firms will generate more revenue, by definition.<sup>12</sup> In fact, our procedure to identify major firms relied on the overall revenue the firm generated, so it is reasonable to expect lobbyists working in major firms to have revenues higher than their counterparts at smaller, boutique firms.

Based on these simple expectations, we fit a simple model with two right hand side variables: number of government jobs and a dummy variable distinguishing minor and major firms. We test several alternative estimations. First, the most straightforward estimation is an ordinary-least squares (OLS) regression, which we report here.<sup>13</sup>

[INSERT FIGURE 9]

Figure 9 illustrates that both the number of government jobs and the type of firm are positively associated with lobbyists' revenue. We estimate that the hypothetical conventional lobbyist employed by a minor lobbying firm earns just over \$145,000 in revenue, nearly \$120,000 less than the overall mean of \$264,000. A lobbyist at a similar minor lobbying firm who held just a single government job – the modal category among revolving door lobbyists – earns \$66,428 more. The model predicts that a lobbyist with the

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<sup>11</sup> The median revenue for committee staffers is lower than that for personal offices, but this pattern is complicated by different staffing norms in the House and Senate. Though not shown in Table 2, the median lobbying revenues for those who worked House personal and committee offices are \$349,547 and \$350,833, respectively. The same values for lobbyists with experience in Senate personal and committee offices are \$310,000 and \$283,583, respectively. The mean values for having worked in these offices for both chambers does increase as the staff hierarchy value goes up.

<sup>12</sup> We identify major firms from those with the largest revenues or largest contracts between 1998 and 2008, or if it was listed on the *US News and World Report* "Best Law Firms for Government Relations Practice in District of Columbia" in 2008.

<sup>13</sup> Next, since the distribution of revenue is so highly skewed, we fit quantile regression models at the median and the 75<sup>th</sup> percentile as a robustness check. The results do not change significantly, so we report the marginal effects derived from the OLS model reported in Figure 9.

same professional socialization, but who works at a major K Street firm, earns over \$100,000 more in revenue, well above the typical hired gun lobbyist.

[INSERT FIGURE 10]

Next we specify a more complete model to account for different kinds of government experience, as well as control for advocacy specializations and demographic characteristics. This specification is useful because many revolving door lobbyists in our sample held positions in both the legislative and executive branches. Here, we fit results from both OLS and quantile (median) regression estimations. Figure 10 plots coefficients with confidence intervals for previous government positions and the type of lobbying firm that employs the lobbyist.

With all other variables held constant at their means, the OLS model predicts that former members of Congress who land jobs at major K Street lobbying shops will earn more \$2.34 for every \$1 earned by all others at the same top firms.<sup>14</sup> The marginal predictive value for a former member at a big firm is \$520,105, more than three times what their colleagues still in office earned in 2008.

We find that the modal congressional staffer – one who worked solely in a member’s personal office – earns just above the median revenue among revolving door lobbyists, with a marginal predictive revenue of \$246,054. One the other end, the OLS model predicts that lobbyists who reached the pinnacle of the congressional staff ladder to earn more than former members themselves, \$608,651.<sup>15</sup>

Though work in Congress is the most common among lobbyists, it is not the only professional socialization with value on K Street. We also measure the impact that working in the executive branch has on lobbying revenue. White House experience is positively associated with revenue. Lobbyists who worked in the White House make above average revenue of more than \$380,000 per year.

Lobbyists who worked at a bureaucratic agency, though, earn a lower than average revenue, just below \$212,000. The negative correlation between working at a federal agency and lobbying revenue is consistent with our theory if we assume that bureaucratic work is more technocratic than political appointments in Congress or the White House. Federal bureaucracies are complex and highly technical, meaning lobbyists with those experiences are more likely to offer substantive policy information – as opposed to strategic political process – benefits to the interest groups they represent. Our results suggest that not all government experience has the same professional socialization effects on lobbyists’ careers. Capitol Hill experience is more valuable than that in the bureaucracy.

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<sup>14</sup> For simplicity we interpret the results from the OLS model in the text, but report the median regression model for comparison. Replication data and code will be available upon publication of the book.

<sup>15</sup> We interpret these results with caution since there are only seven (1.1 percent) former staffers who match this description among all lobbyists in our contract lobbyist sample.

Consistent with the initial specification, lobbyists' work structure is associated with revenue as well. Major lobbying firms will generate greater revenue at the individual lobbyist level than others, which is what we should expect. Minor lobbying firms tend to operate in niche markets for fewer clients, at marginally lower prices. That is, large law and lobbying firms may offer lobbyists with a wide variety of political strategy and policy expertise to lawmakers and policy elites across venues and party lines. Small firms, on the other hand, are more likely to confine the lobbying services they offer to clients to highly specialized activities. Of course, whether these large firms actually provide their clients with lobbying services consistent with what interest groups-as-consumers in the lobbying services market should expect is doubtful (Schiff et al 2015).

All of these results are consistent with our expectations about political process-oriented lobbyists. Our findings show that experience inside government is considered valuable in the increasingly uncertain political world of Washington, even though we do not establish direct connections between lobbyists and particular officeholders. Simply having held a job in government is enough of a signal to interest groups seeking to reduce the risk of political uncertainty.

### **The Paradox of the Revolving Door in American Politics**

Our findings suggest that the interest group system in Washington has gone through tremendous changes in the decades following Watergate, but that those changes are more complicated than simply the fact that there are more lobbyists today than the past. Lobbyists and the interest groups they represent did not change how Washington works, they responded to the market incentives sparked by those changes.

The dilemma of course is that lobbyists are beholden to the organized interests who pay them, whereas members of Congress and their staff are responsible to constituents. Congress diminished its own ability to autonomously analyze public policy solutions. The Congress of today is left to rely on the very organized interests that have direct stakes in policy outcomes. Ostensibly, lobbyists provide the expertise that the Congress of thirty years ago produced internally. This is troubling since not all lobbyists are policy wonks; some are political strategists who have little interest in solving substantive problems.

Washington, we are told, is hopelessly gridlocked. The parties in Congress are now more ideologically polarized than in the years leading up to the Civil War. By almost any measure, Capitol Hill's productivity in recent years makes Truman's accusations of the 80th as the "Do Nothing, Know Nothing" Congress seem overly harsh by comparison. The House and Senate in recent years have formally met an historic low number of legislative days. And many of those official meetings involve *pro forma* theatrics with no lawmaking accomplished at all.

Congressional committees hold fewer hearings, and those they do hold appear to be motivated less by genuine curiosity about the public's problems than they are about scoring partisan points against colleagues on the other side of the aisle. Both parties in Congress seem less concerned with evaluating and overseeing government programs than

they are with questioning the character of real or potential candidates seeking to occupy the Oval Office next.

No wonder members of Congress no longer legislate when their attention is consumed raising money for themselves and their parties. The rare days members of Congress are actually present in the capital city are increasingly consumed with “call time.” To fuel the permanent campaign, members increasingly send staff and other official resources back home to deal with constituent concerns, special projects, and town-hall meetings that could easily be confused for campaign rallies. The staffers who are left behind in Washington are increasingly tasked with monitoring the steady drumbeat of “breaking news” stories to Tweet out perfectly timed responses.

That the very members of Congress and legislative staffers who seemingly do nothing on Capitol Hill are increasingly spinning through the revolving door to lobby a Congress *that does nothing* is paradoxical. If Congress is indeed broken, then why do business executives, association leaders, nonprofit managers – and university administrators – naïvely put good money after bad to influence a process that never actually produces anything? Is corporate America so gullible that setting up shop in Washington will pay Powerball-like returns on investment when Congress is too busy raising money to write new bills? Are unions so badly busted that they cannot see that Congress is unwilling and incapable of saving them? Are we citizens so busy bowling alone that we cannot see our membership organization leaders wasting our donations on high-priced lobbyists?

We think the concept of the lobbying as political insurance squares this circle. The very problems that have produced lower legislative productivity and partisan warfare are the same factors that have reshaped the political economy of lobbying. Interest groups are not in the business of buying policy outcomes. They are in the market to cover their political backsides.

So if we begin to think differently about *who lobbyists are* and *what they do*, then we might very well be able to find common ground to address the problems of political representation. We consistently hear from politicians that we must clean up Washington of the special interests. If our theory and evidence is convincing, then these politicians ought to look in the mirror.

If Congress wants to fix lobbying, it needs to fix itself first.

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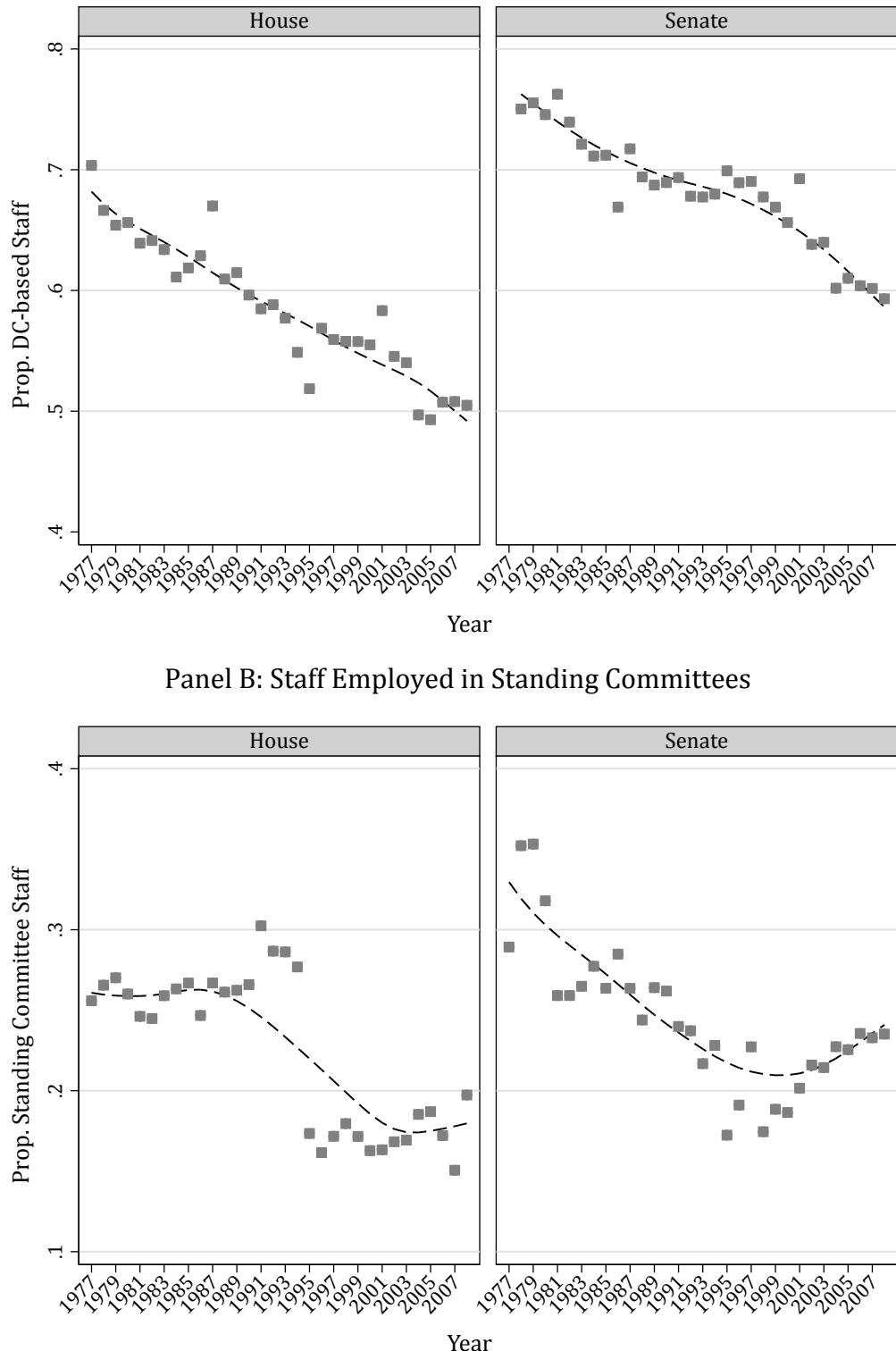
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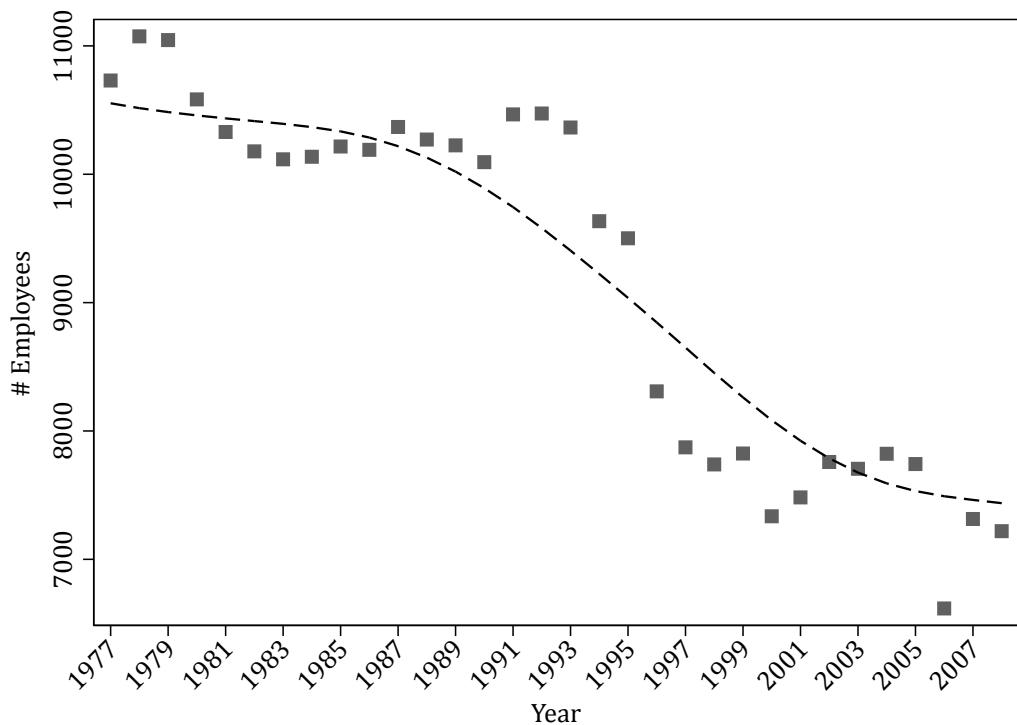
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Figure 1. The Decline of Washington Based Congressional Staff  
 Panel A: Staff Employed in Washington

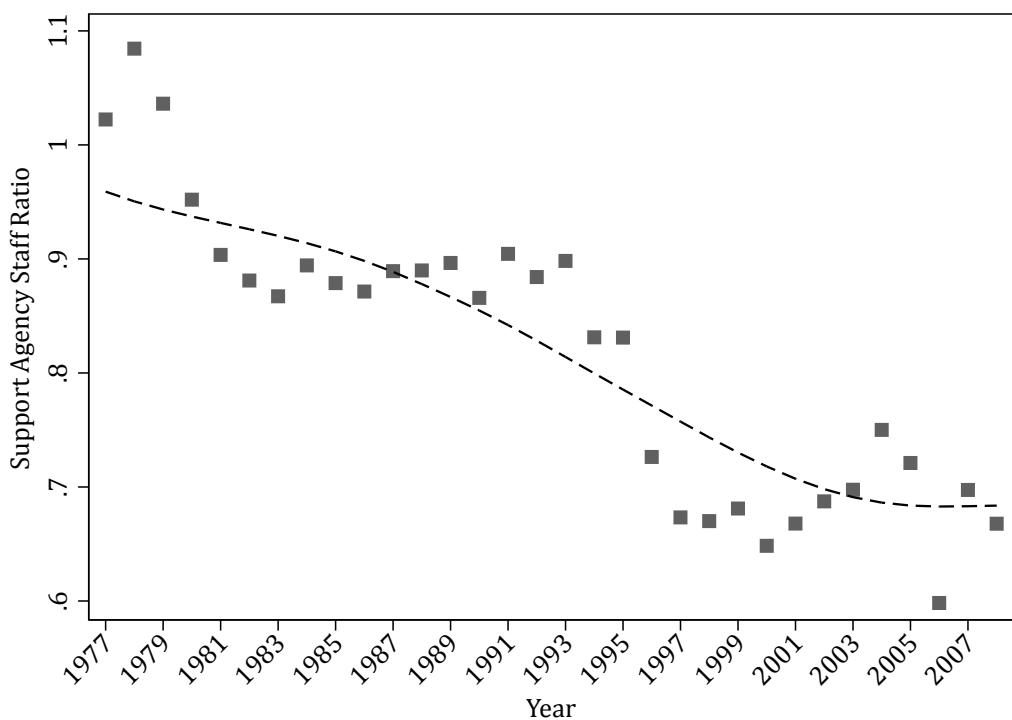


Source: Ornstein et al 2013. Calculated by the authors.

Figure 2. The Decline of Legislative Support Agency (LSA) Civil Servants  
 Panel A: Number of LSA Civil Servants

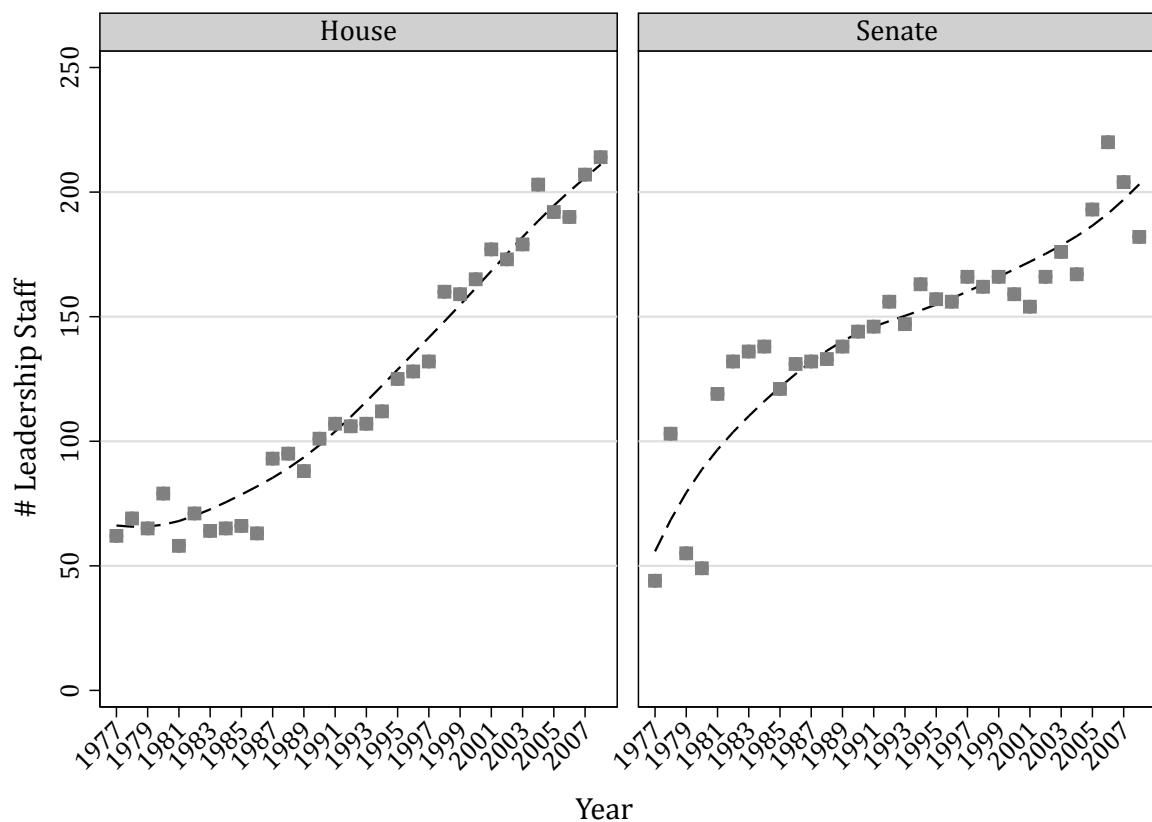


Panel B: Ratio of LSA Civil Servants to Congressional Staff



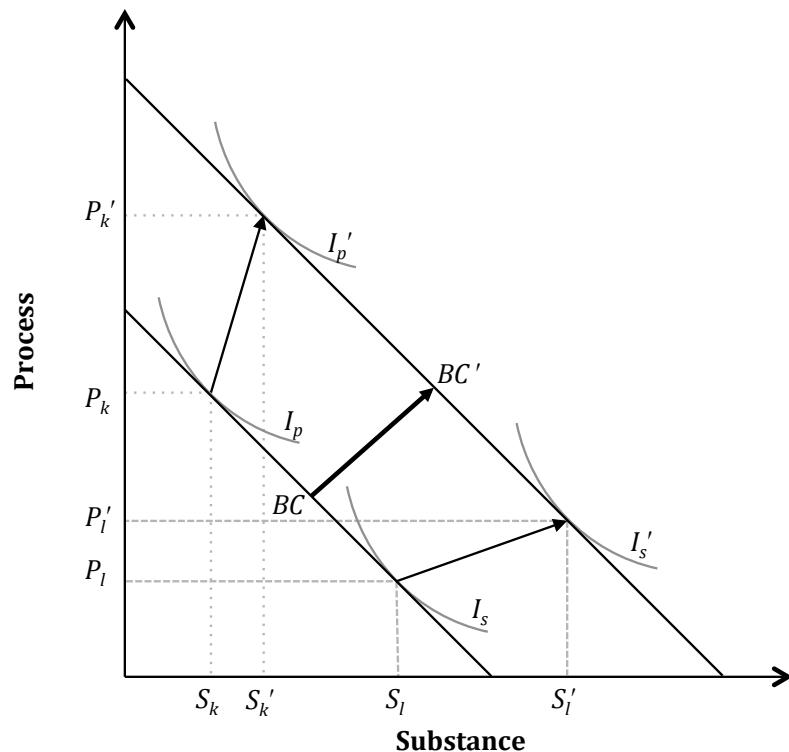
Source: Ornstein et al 2013. Calculated by the authors.

Figure 3. Increasing Centralization of Party Leadership



Source: Chausow *et al.* 2015a and 2015b.

Figure 4. Base Model: Market for Lobbyists after “Advocacy Explosion”  
 Panel A. Indifference Curves



Panel B: Demand Curve

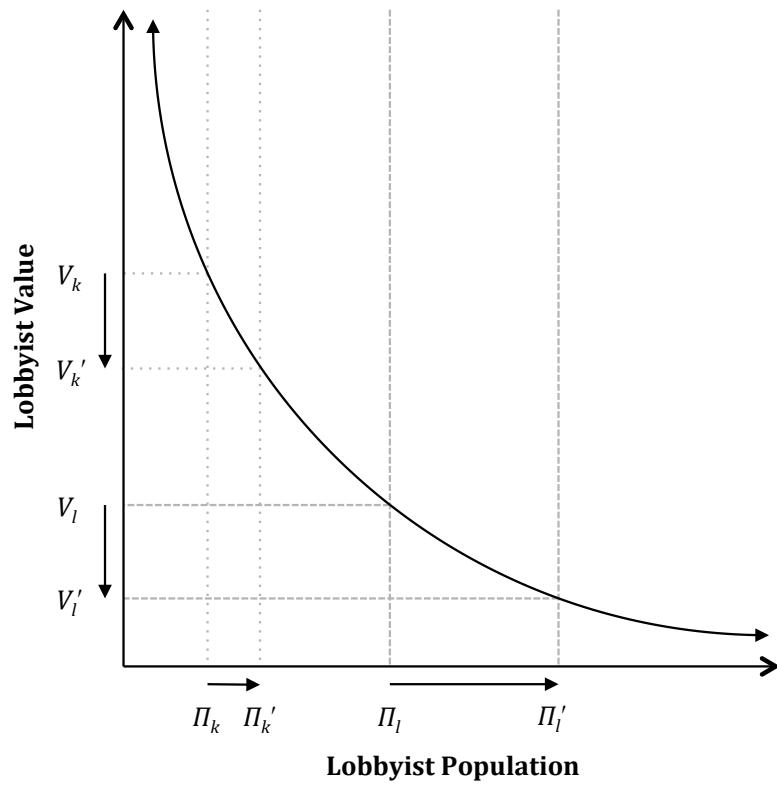
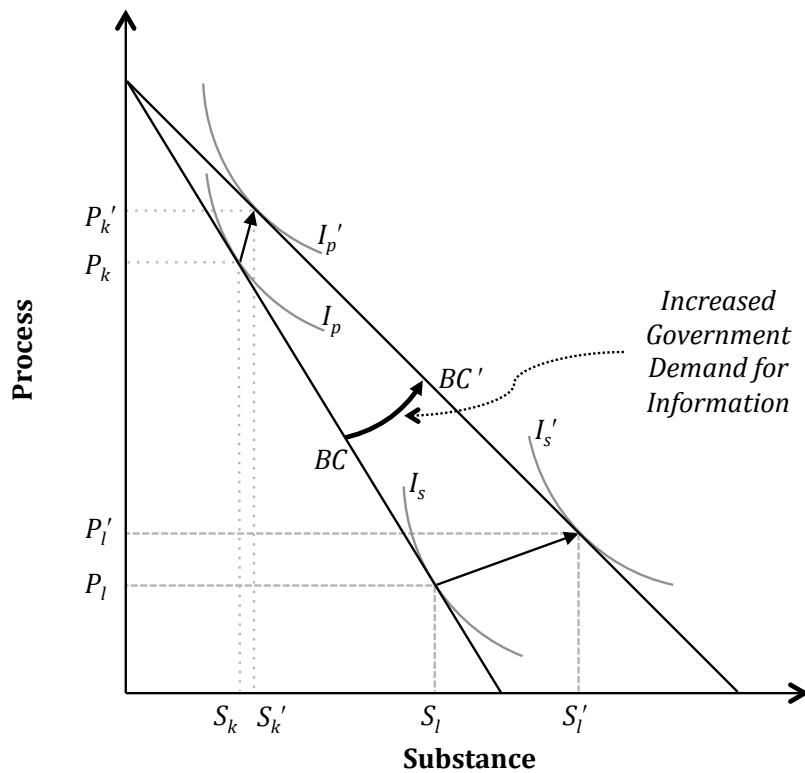


Figure 5. Premise I: Lobbyist Market with Weaker Government Capacity  
 Panel A: Indifference Curves



Panel B: Demand Curve

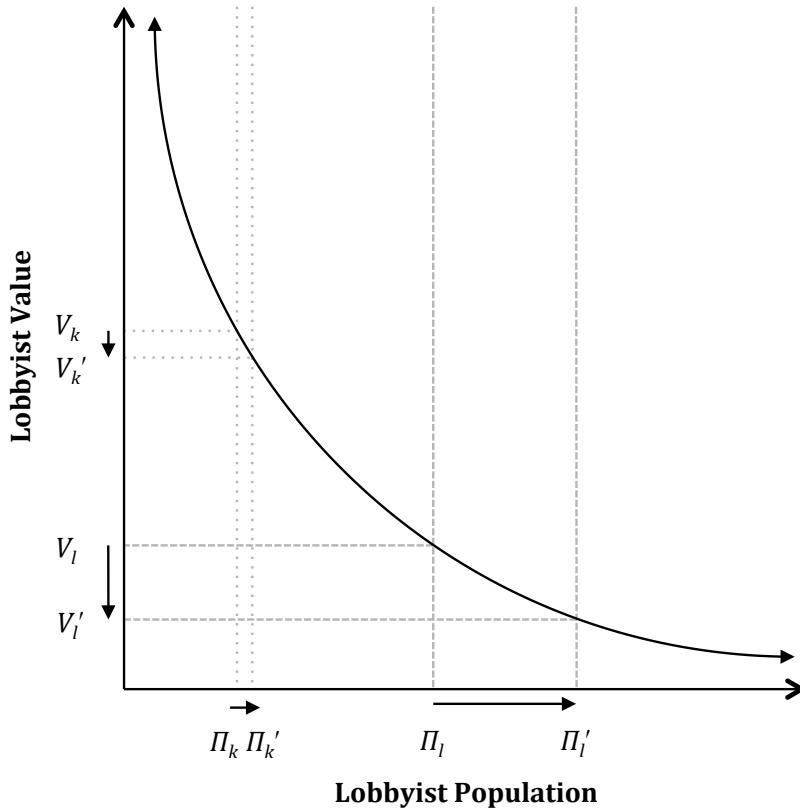
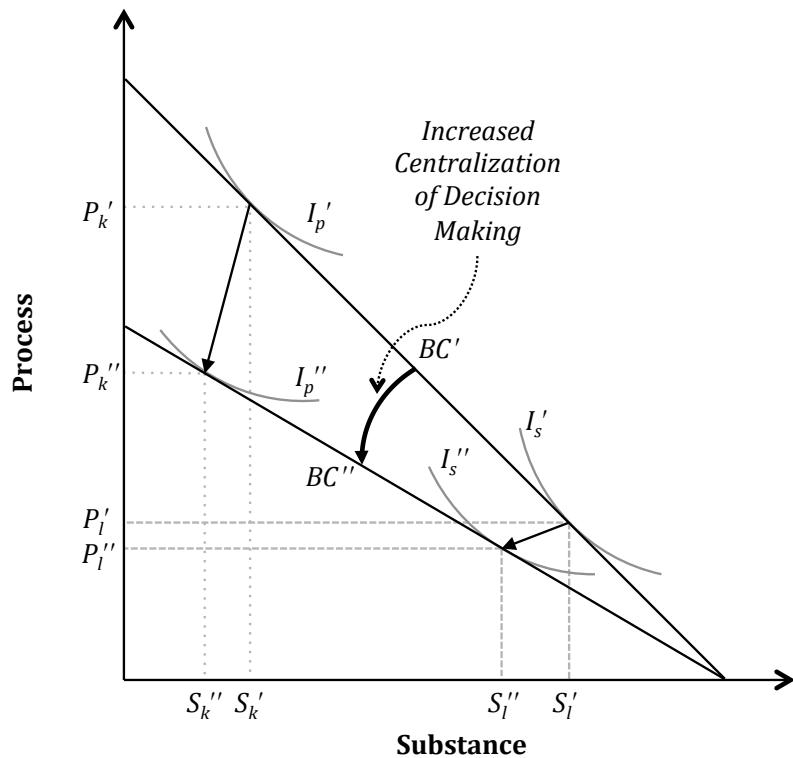


Figure 6. Premise II: Lobbyist Market with Stronger Party Government  
 Panel A: Indifference Curves



Panel B: Demand Curve

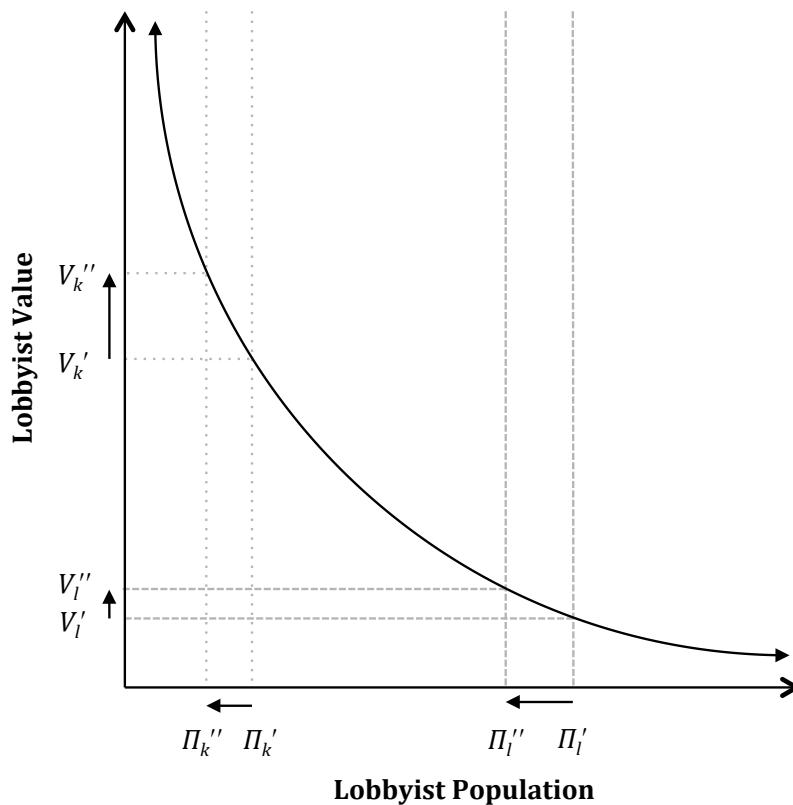


Figure 7. Conclusion: Process Lobbyists' Price Goes Up, Substance Lobbyists' Price Goes Down

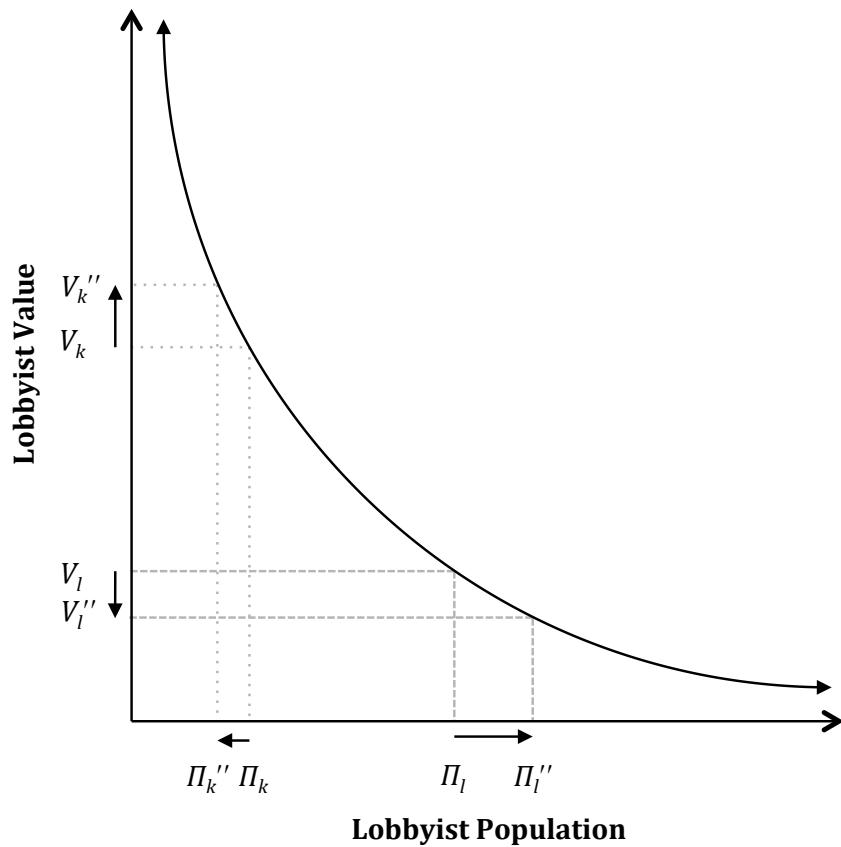
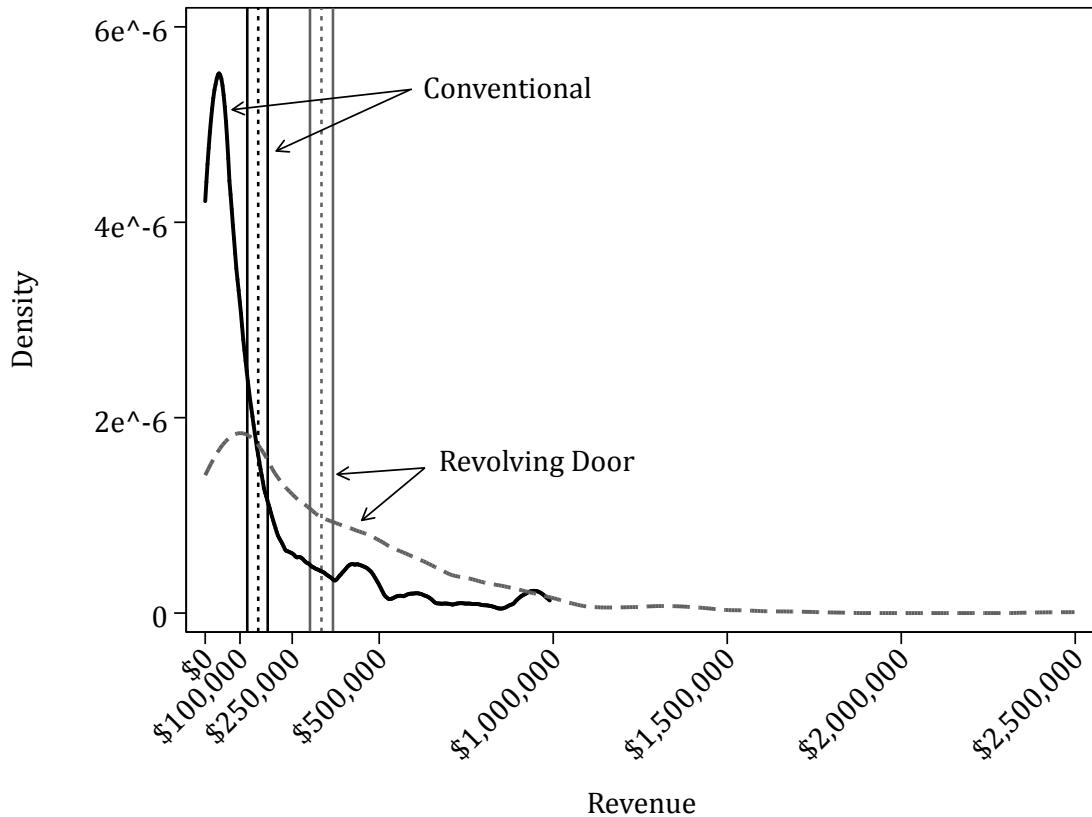


Figure 8. The Distribution of Contract Lobbyist Revenue



*Note:*  $N = 637$  contract lobbyists. The figure plots the density distribution of revenue for conventional and revolving door lobbyists. Vertical lines indicate median revenue, with a 95 percent confidence interval.

Table 1. Contract Lobbyists' Revenue, by Professional Socialization

	<i>n</i>	Mean	Median	SD
Conventional	232	\$149,617	\$67,917	\$209,065
Revolving Door	405	\$330,692	\$224,677	\$336,070
Difference		\$181,075	\$156,760	
Ratio		2.2	3.3	

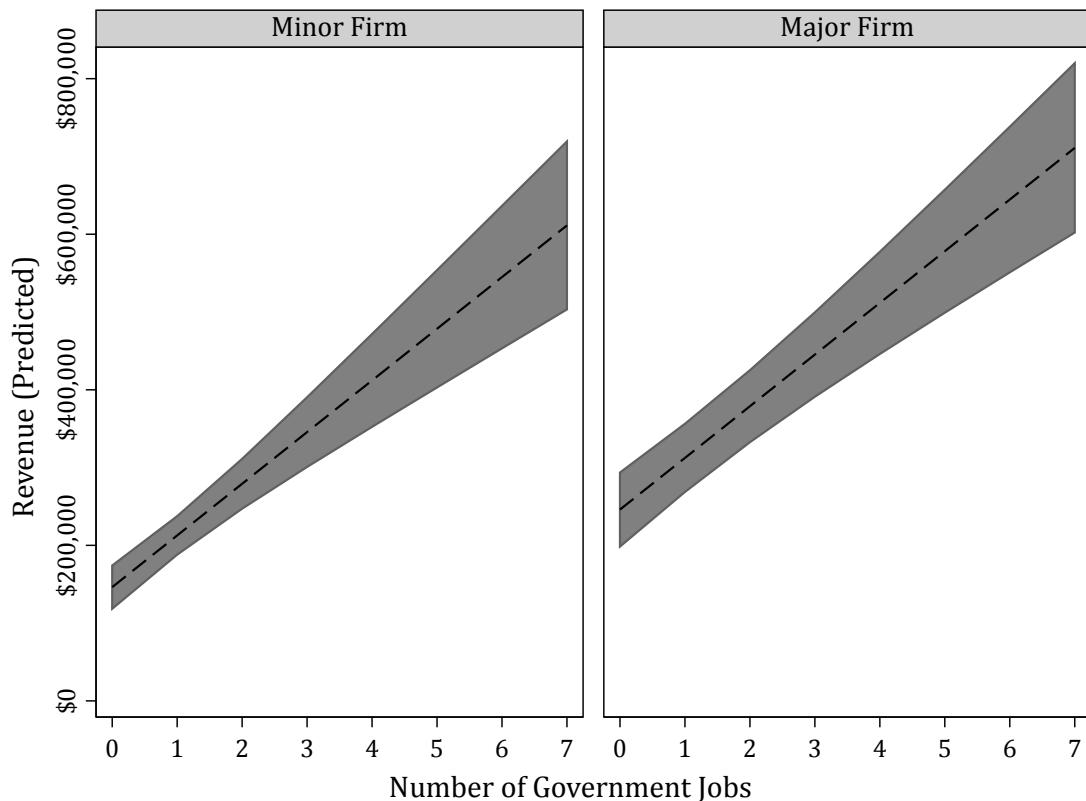
*Note:*  $N = 637$  contract lobbyists. Cells summarize weighted lobbyist revenue reported in 2008. The difference in revenue earned by conventional and revolving door lobbyists is statistically significant ( $t = 8.4$ ; Satterthwaite's d.f. for unequal variances = 630.8;  $p < 0.001$ ). Ratios are revolving door lobbyist revenue-to-conventional lobbyist revenue.

Table 2. Contract Lobbyists' Revenue, by Previous Congressional Employment

	<i>n</i>	Mean	Median
No Previous Congressional Employment	334	\$160,433	\$70,000
Staff in Congress	293	\$376,203	\$307,500
Member's personal office	150	\$379,371	\$335,000
Committee office	136	\$398,577	\$325,780
Party Leadership office	35	\$471,095	\$388,071
Member of Congress	10	\$482,957	\$454,120

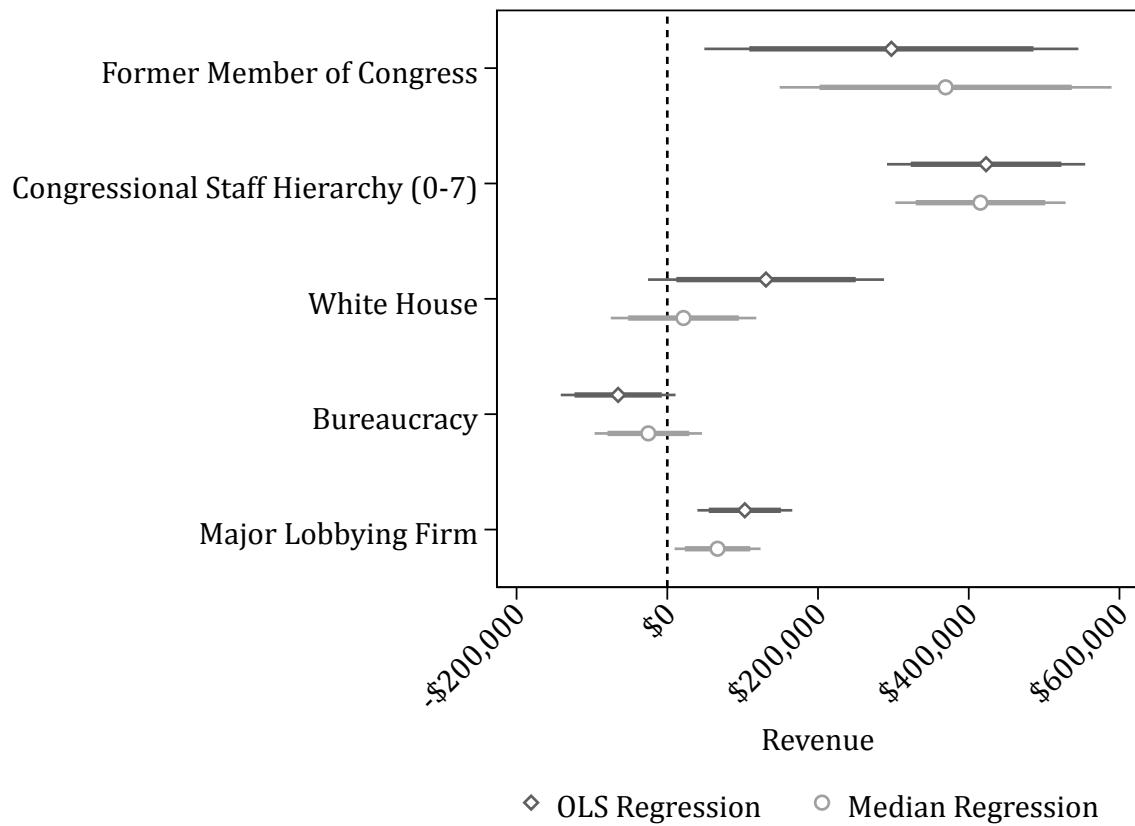
*Note:*  $N = 637$  contract lobbyists; observations are lobbyist-jobs. Some lobbyists may have worked as staff in multiple offices.

Figure 9. Previous Government Employment and Lobbyist Revenue



*Note:*  $N = 637$  contract lobbyists. The figure plots the marginal effects that having a given number of jobs in the government has on *revenue*, with a 95% confidence-interval band, fit with an ordinary least-squares regression model.

Figure 10. The Amount of Revenue Contract Lobbyists' Earn



*Note:*  $N = 637$  contract lobbyists. The dependent variable is *revenue*. The independent variables are dummy variables, except *Congressional Staff Hierarchy*, which is a standardized 8-point scale. Additional independent variables included in the model but not shown here include a scale variable for advocacy specialization, and dummy variables for gender and ethnicity. The figure plots ordinary least-squares and quantile (median) regression coefficients, with 95% and 99% confidence intervals.